

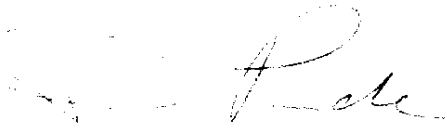
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The California Public Utilities Commission has clearly taken the necessary steps to create an environment where competition will take seed and grow, in turn, bringing consumers the most advanced technology and quality service at competitive prices.

As the Federal Communications Commission weighs this important issue, we urge you to give the strongest consideration to the recommendation made by state of California.

Sincerely

A handwritten signature in dark ink, appearing to read "Duane Parde", written in a cursive style.

Duane Parde
Executive Director

Enclosures (2)



AMERICAN LEGISLATIVE EXCHANGE COUNCIL

A National Association for America's State Legislators • Jeffersonian Principles in Action!

Telecommunications Deregulation Policy Statement

The American Legislative Exchange Council is founded on the belief that the competitive and innovative forces of the free and open marketplace will ensure a wider range of consumer choice, value, and protection than government regulation. In recent years, changes in telecommunications and information technology have revolutionized the way we live and work. With each new year, consumers are able to communicate and conduct business faster and cheaper and more productively, with virtually anyone in the world. As the technology revolution matures, ALEC, on behalf of its state legislator members, will continue to monitor this development and evolution of a critical infrastructure industry for a worldwide digital economy in the 21st Century.

The December 1993 *Resolution Lifting the Modification of Final Judgment Restriction on Long Distance Service*, argues that "if telecommunication policy continues to erect artificial zones and allow exclusive market entry, then competition cannot flourish and consumers will be denied the benefits of competition."

In ALEC's State Factor, *Building Competitive Markets in the States*" (November 1996), ALEC believed the implementation of the Telecommunications Act would "create an environment where competition will take seed and grow, in turn, bringing consumers the most advanced technology and quality service at competitive prices."

Today there is little doubt that telecommunication services are becoming increasingly competitive. Recent trends suggest that they may even become the most competitive aspect of the communications industry. With the upsurge in deployment of broadband Internet services, the telecommunications industry is forced to compete even more vigorously in the deployment of new technology. These broadband services (T1s, DS3s, etc.) have been largely limited to business customers, due to the enormous capital requirements of supplying the residential market. However, due to the rapid rise and maturation of the Internet, individual consumer demand for these services is rising sharply.

Since the Telecommunications Act of 1996 was enacted, the telecommunications industry has continually experienced "fits and starts" in advancing deregulation, technology, and furthering competition. Consequently, the process of bringing advanced technology to consumers has become a regulatory morass.

In spite of regulators and Washington's differing interpretations of the Telecommunications Act of 1996, and overwhelmingly litigious environment, and in some instances the application of antitrust laws which further dampen competition and delay technological innovation, it remains ALEC policy that free market principles must prevail. Business should expect a competitive environment unburdened by indiscriminate regulations and market uncertainty with minimal political involvement.

[Adopted January, 2001]



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Background Information on Deregulation

For more than a decade, ALEC has supported deregulating various industries in order to pursue its goal of increased competition in a free market to achieve a stronger economy. In its Legislative Issue Brief titled "Economic Regulation and Deregulation", ALEC defined the issue stating that the "government regulates industries to correct perceived failure in the competitive market, but economic regulation can result in 'government' failure at a high cost to the consumers." ALEC proposes that "states can increase innovation and decrease the cost to consumers by a variety of reforms ranging from total to partial deregulation." Specifically, ALEC has approved resolutions advocating deregulation in the telecommunications, banking, and energy sectors of the economy. Considering ALEC's past stances on deregulation will be useful to determine what stance the Task Force should take on the issue of deploying advanced telecommunications.

Past Telecommunications Deregulation Indicates Movement towards Competition

Throughout the early 1990s, ALEC has expressed views favoring reforming regulations on telecommunications industries. In the Telecommunications Regulatory Reform Act, ALEC called for the regulatory process to "stimulate, rather than inhibit, all telecommunications companies' abilities to meet the competitive challenges facing this nation." In seeking to preserve the commitment to universal service, the policy sought to encourage investment to develop and deploy new technologies and services. Similarly, in February 1990, ALEC endorsed deregulating the radio industry to "encourage development of new innovations in services and ensuring more efficient use of all assigned spectrum."¹ Deregulation was also supported to encourage competition and enhance economic development in the cable television industry in an October 1989 resolution. This "Resolution urging Congress to open the Cable Industry to More Competition in the Marketplace" sought changing the cross-ownership rules of the cable system.

More directly related to the data deregulation issue, ALEC also adopted stances calling for the deregulation of long distance telephone operators. The Telecommunications Task Force passed two noteworthy resolutions on this issue in the early 1990s. In May 1991, the task force unanimously approved the "Resolution on MFJ Restrictions on IntraLATA Information Services." This resolution stated that "ALEC actively supports any actions that would, with proper safeguards, lift the restrictions on intraLATA information services upon the former Bell Operating Companies." Additionally, the bill's summary argues "Why should any U.S. company continue to be bound by restrictions that weaken the United States' standing in a truly internationally competitive marketplace?" Thus, this measure was a strong statement by the organization calling for a more open telephone market, easing the regulations on the former Bell Companies. These sentiments were echoed in the December 1993 passage of the "Resolution Lifting the Modification of Final Judgement Restriction on Long Distance Service." This model resolution argued that "if telecommunications policy continues to erect artificial zones and allow exclusive market entry, then competition cannot flourish and consumers will be denied the

¹ A Resolution Concerning Management of the National Spectrum

benefits of competition.” These issues are strikingly similar to the issues at stake in the data deregulation debate.

Commercial Banking Deregulation is an Additional Example of Encouraging Competition

In the early 1990s, ALEC adopted a series of model resolutions aimed at deregulating the commercial banking industry to encourage competition and make banking more suited to citizens’ desires. Deregulating the banking industry was deemed necessary because “overly restrictive and archaic regulations were preventing financial growth and international competitiveness.” The regulations were “inflexible and outdated” because they were adopted prior to the development of new technology and heightened international competition in the banking sector. Among the regulations suggested for amendment, ALEC considered changing the Federal Deposit Insurance Company (FDIC) to ensure that deposit insurance is not over-extended. It was believed that deregulating banks would make the economy stronger. The model resolutions stressed that deregulation was necessary to prevent the industry from collapsing.

Electric Industry Restructuring Calls for Deregulation

ALEC supported deregulating the electric industry in order to support competition and grant consumers the power to choose their electricity provider. ALEC argued that government regulations created monopolies in the industry resulting in inequitable rate structures for electricity. In December 1998, in ALEC Issue Analysis advocated that “all customer classes stand to gain substantial benefits from deregulation.” Finally, ALEC’s view stated that the cheaper electricity that would come with deregulation is a necessary condition for America to maintain its competitive stance into the next millennium.